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Copyright Law—Who Gets the Picture?—Universal City Studios, Inc., v. Sony Corp. of America, 659 F.2d 963 (9th Cir. 1981), cert. granted, 50 U.S.L.W. 3982 (No. 81-1687)

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COPYRIGHT LAW—WHO GETS THE PICTURE?—*Universal City Studios, Inc. v. Sony Corp. of America*, 659 F.2d 963 (9th Cir. 1981), cert. granted, 50 U.S.L.W. 3982 (U.S. June 14, 1982) (No. 81-1687).*

In *Universal City Studios, Inc. v. Sony Corp. of America*,¹ the United States Court of Appeals for the Ninth Circuit defined the scope of copyright protection afforded audiovisual material broadcast on public airways. The plaintiffs, Universal City Studios, Inc. and Walt Disney Productions, Inc., produced and owned the copyrights to thirty-two publicly broadcast motion pictures. The case arose when the defendant recorded these movies for private use on a Sony “Betamax” brand home videotape recorder (VTR). The plaintiffs sued this defendant for direct copyright infringement. They also sued the manufacturer,² distributor,³ advertiser,⁴ and retail sellers of the Betamax VTR for contributory and vicarious infringement for their involvement in producing, distributing, promoting, and selling the instrumentality used to achieve the direct infringement.⁵

The Ninth Circuit, reversing the trial court,⁶ held that the home user had infringed the plaintiffs’ copyrights and was not protected by the fair

* A slightly different version of this piece will be entered in the Nathan Burkan Memorial Competition at the University of Washington and in the national competition. The Burkan competition is sponsored by the American Society of Composers, Authors, and Publishers.

1. 659 F.2d 963 (9th Cir. 1981), cert. granted, 50 U.S.L.W. 3982 (U.S. June 14, 1982) (No. 81-1687).

2. Sony Corporation.

3. Sony Corporation of America.

4. Doyle Dane Bernbach, Inc.

5. Plaintiffs also alleged that this latter group had directly infringed their copyrights. The district court rejected this claim and was affirmed on this point. 659 F.2d at 976.

6. *Universal City Studios, Inc. v. Sony Corp. of Am.*, 480 F. Supp. 429 (C.D. Cal. 1979), rev’d, 659 F.2d 963 (9th Cir. 1981). (Hereinafter references to the district court opinion will give only the opinion citation and not the subsequent history.) The district court held that the plaintiffs’ copyrights were not infringed by a home user’s recording of the copyrighted materials where those materials were broadcast over public airways and the recording was made for the viewer’s private and noncommercial use. *Id.* at 456. It also held that a retailer of the recorder did not infringe upon the copyrights where its use of the copyrighted materials was merely to show the technical proficiency of the recording device and not for competitive or commercial purposes. The purely demonstrative use of the materials by the retailer, like the purely private noncommercial use by the home user, was held to be a “fair” and noninfringing use. *Id.* at 457. The district court also refused to extend vicarious or contributory liability to the manufacturer, distributor, advertiser, or retailers of the Betamax. The court found that those defendants could not have known of the potentially infringing nature of the home recording of the copyrighted materials prior to this law suit. *Id.* at 459. It further reasoned that their conduct neither induced nor materially contributed to particular recordings of plaintiffs’ materials, that they had no control to prevent or supervise such recordings, and that the Betamax was a staple item of commerce which had substantial uses other than to infringe plaintiffs’ copyrights. *Id.* at 460-61.

use privilege.⁷ The court further held that the Betamax manufacturer, distributor, and advertiser were liable for contributory infringement because they knew that home VTR's would be used to reproduce copyrighted materials and because they were sufficiently engaged in that infringement to be held accountable.⁸ The court left the district court with the task of fashioning appropriate remedies.

This Note begins by reviewing the doctrines of fair use and contributory infringement. It then analyzes the *Sony* decision, arguing that the Ninth Circuit should have applied the equitable doctrine of fair use more liberally. Further, it argues that the court should have accepted the analogous "staple item of commerce" theory from patent law as a defense to the contributory infringement claim. Eschewing rigid analysis as ill-suited to defining rights and liabilities arising from new VTR technology, the Note advocates a pragmatic application of the Copyright Act.

I. LEGAL BACKGROUND

The technological advancement of the home video recorder presented the Ninth Circuit with a case of first impression. Nevertheless, the fundamental principles of copyright law are the same whether the technology is old or new.⁹ The basic purpose of copyrights is found in the United States Constitution: "To promote the Progress of Science and Useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."¹⁰ This clause encourages individual effort by enhancing personal gain.¹¹ The artistic and scientific fruits of this individual effort benefit the public as well. The Copyright Act¹² accomplishes its purpose by giving copyright holders limited statutory monopolies over some, but not all, uses of their copyrighted works.¹³ Thus, the scope of the statutory monopoly is limited, as is the duration of the copyright.¹⁴

7. See generally part IA *infra* (discussing fair use).

8. 659 F.2d at 975-76. The court agreed with the trial court that the retail store was protected by fair use. *Id.* at 976.

9. Cf. *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1974) ("When technological change has rendered its literal terms ambiguous, the Copyright Act must be construed in light of [its] basic purpose.") (footnote omitted).

10. U.S. CONST. art. I, § 8, cl. 8.

11. *Mazer v. Stein*, 347 U.S. 201, 219 (1954).

12. 17 U.S.C. §§ 101-810 (Supp. II 1978).

13. See *id.* § 106 (giving the copyright owner, as of the effective date of Jan. 1, 1978, the exclusive right to print, reprint, publish, copy, vend, perform, and display publicly the copyrighted work).

14. Generally, the duration of a copyright is limited by statute to the life of the author plus fifty years. *Id.* 302(a). See 2 M. NIMMER, NIMMER ON COPYRIGHT § 901 (1981).

A. *Fair Use*

A major issue in the *Sony* case was the application of the doctrine of fair use, a judicially developed limitation on the scope of copyright protection.¹⁵ The courts, and later Congress,¹⁶ realized that unlimited copyright protection could inhibit societal progress by unduly restricting public dissemination of artistic and scientific information.¹⁷ They also recognized that not every unauthorized use of copyrighted materials posed an economic threat that would discourage further creative initiative. Accordingly, they developed the doctrine of fair use as a defense.¹⁸ This defense is available when a particular use of copyrighted material promotes progress in science and the arts more than does enforcement of the copyright.¹⁹

The judicial fair use doctrine was characterized by flexibility to accommodate the great variety of uses presented to courts.²⁰ Its operation was based entirely on equitable considerations. Congress sought to codify the flexible and somewhat amorphous judicial standards of fair use²¹ in section 107 of the Copyright Act of 1976.²² The Act mandates consideration

15. The concept of fair use was first introduced by Justice Story in *Folsom v. Marsh*, 9 F. Cas. 342 (C.C.D. Mass. 1841) (No. 4901). *Marsh, Betamax and Fair Use: A Shotgun Marriage*, 21 SANTA CLARA L. REV. 49, 55 n.36 (1981).

16. See notes 21–23 and accompanying text *infra*.

17. See *Folsom v. Marsh*, 9 F. Cas. 342 (C.C.D. Mass. 1841) (No. 4901); “In short, we must often . . . look to the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work.” *Id.* at 348.

18. Commentators debate whether fair use is a defense or a form of excused infringement. See generally *Marsh, Betamax and Fair Use: A Shotgun Marriage*, 21 SANTA CLARA L. REV. 49, 56–58 (1981) (explaining the nature of this debate).

19. See, e.g., *Berlin v. E. C. Publications, Inc.* 329 F.2d 541, 543 (2d Cir.), *cert. denied*, 379 U.S. 822 (1964) (“[T]he financial reward guaranteed to the copyright holder is but an incident of [the] general objective As a result, courts in passing upon particular claims of infringement must occasionally subordinate the copyright holder’s interest in a maximum financial return to the greater public interest in the development of art, science and industry.”).

A privilege is recognized in the nonowner to use the copyrighted materials in a reasonable manner without the consent of the owner. *Rosemont Enter., Inc. v. Random House, Inc.*, 366 F.2d 303, 306 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009 (1967) (quoting BALL, THE LAW OF COPYRIGHT AND LITERARY PROPERTY 260 (1944)).

20. The same flexibility made the doctrine difficult to define. *Time Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130, 144 (S.D.N.Y. 1968). Its application has been termed “the most troublesome in the whole law of copyright.” *Dellar v. Samuel Goldwyn, Inc.*, 104 F.2d 661, 662 (2d Cir. 1939).

21. H. R. REP. NO. 83, 90th Cong., 1st Sess. 32 (1967).

22. 17 U.S.C. § 107 (Supp. II 1978). This section provides in part:

Notwithstanding the provisions of section 106, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use, the factors to be considered shall include [the four factors quoted in text]. (emphasis added).

of at least four factors in determining whether the use made of a work is fair. These four factors are:

1. The purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
2. The nature of the copyrighted work;
3. The amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
4. The effect of the use upon the potential market for or value of the copyrighted work.²³

Courts have given the third factor, the substantiality of the taking, special attention.²⁴ The Ninth Circuit in *Benny v. Loew's Inc.*²⁵ found that a substantial taking precluded fair use. Although affirmed by the Supreme Court,²⁶ *Benny* has not been widely followed.²⁷ Moreover, the Ninth Circuit later observed that strict application of the *Benny* rationale would severely undermine the fair use defense because it would limit the defense to a relatively small number of cases.²⁸ Most courts determining whether a use is privileged evaluate all the statutory factors.²⁹ No one factor should be determinative.

B. Contributory Infringement

The other major issue in *Sony* was contributory infringement, a concept which is part of both copyright and patent law.³⁰ Because *Sony* concerned a new technological development,³¹ it is appropriate to examine the concept in both settings.

23. *Id.* The legislative history of section 107 indicates that Congress endorsed the purposes and general scope of the judicial doctrine of fair use. H.R. REP. NO. 1476, 94th Cong., 2d Sess. 66, reprinted in 1976 U.S. CODE CONG. & AD. NEWS 5659, 5680. This indicates that analysis should not be limited to consideration of only the four stated factors.

24. See Comment, *Parody and Fair Use: The Critical Question*, 57 WASH. L. REV. 163, 173-77 (1981).

25. 239 F.2d 532 (9th Cir. 1956), *aff'd per curiam by an equally divided court sub nom.* Columbia Broadcasting Sys. v. Loew's Inc., 356 U.S. 43 (1958).

26. Columbia Broadcasting Sys. v. Loew's Inc., 356 U.S. 43 (1958) (per curiam).

27. The *Benny* rationale has been criticized by commentators. See, e.g., Note, *Parody and Copyright Infringement*, 56 COLUM. L. REV. 585 (1956); Comment, *Parody and the Law of Copyright*, 29 FORDHAM L. REV. 570 (1961); Note, *Parody and Burlesque—Fair Use or Copyright Infringement?*, 12 VAND. L. REV. 459 (1959); see also *Berlin v. E. C. Publications, Inc.*, 329 F.2d 541, 544-45 (2d Cir.) *cert. denied*, 379 U.S. 822 (1964).

28. *Walt Disney Productions v. Air Pirates*, 581 F.2d 751, 756 (9th Cir. 1978).

29. See, e.g., *Meeropol v. Nizer*, 560 F.2d 1061, 1069 (2d Cir. 1977), *cert. denied*, 434 U.S. 1013 (1978); *New York Tribune, Inc. v. Otis & Co.*, 39 F.Supp. 67 (S.D.N.Y. 1941).

30. See generally 3 M. NIMMER, NIMMER ON COPYRIGHT § 12.04A (1981); 4 D. CHISUM, PATENTS §§ 17.01-17.05 (1982).

31. The court in *Sony* faced a copyright question of first impression because there was an issue of

1. *Copyright Contributory Infringement*

Copyright contributory infringement requires, first, a direct infringement of the copyright.³² Second, it requires that a contributory infringer know of the infringing activity.³³ Third, the contributory infringer must then induce, cause, or materially contribute to the infringing conduct.³⁴ The function that the contributory infringer plays in the reproduction process is more important than the extent of involvement in determining whether alleged wrongful conduct has contributed to the primary infringement.³⁵

Copyright contributory infringement evolved from common law principles of agency.³⁶ Consequently, courts focus on the defendant's knowledge of and power to control the directly infringing activity.

The knowledge requirement is met when the defendant is sufficiently involved with the activity to have actual knowledge of or reason to know of the infringement. For example, a court found the requisite knowledge when a concert artists' management agency knew that its artists were performing copyrighted works without securing copyright licenses and yet helped to organize an artists' association and created an audience for them.³⁷ Similarly, a court imposed liability on an advertising agency whose employee knew that records it advertised were being made without the makers paying a compulsory license fee. The employee handled not only the advertising, but also the manufacture and distribution of the records. The court found that the agency employee was a "knowing party to the piracy. His knowledge binds his employer."³⁸

In applying the "control and supervision" standard, courts assess the relationship between the direct infringer and the alleged contributory infringer to decide whether the contributory infringer had the requisite par-

an unauthorized use of a literary or audiovisual copyrighted work coupled with the use of a new technological device. *Universal City Studios, Inc. v. Sony Corp. of Am.*, 480 F. Supp. 429, 447 (1979).

32. *See, e.g.*, *ARO Mfg. v. Convertible Top Replacement Co.*, 377 U.S. 476, 483 (1964).

33. *E.g., id.* at 488.

34. *See, e.g.*, *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

35. *E.g.*, *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 397 (1968) ("[M]ere quantitative contribution cannot be the proper test to determine copyright liability. . . . Rather, resolution of the issue . . . depends upon a determination of the function that [the alleged infringer] plays in the total process of television broadcasting and reception.").

36. *See Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963).

37. *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162-63 (2d Cir. 1971).

38. *Screen Gems—Columbia Music, Inc. v. Mark-Fi Records, Inc.*, 327 F. Supp. 788, 792 (S.D.N.Y. 1971), *rev'd on other grounds, sub. nom.* *Screen Gems—Columbia Music, Inc. v. Metlis and Lebow Corp.*, 453 F.2d 552 (2d Cir. 1972).

ticipation in or control over the infringing activity. The requirement is met when the party has the right and ability to control the infringing activity. Control will not be inferred merely from the existence of a business or legal relationship.³⁹

Control was the key element in several cases involving sponsors of infringing radio or television programs. The courts refused to impose liability on the sponsors who did not have access to or control over the content of the programs.⁴⁰ But when the sponsor's approval was required at several stages in the production of the program, courts found liability.⁴¹

One indication of control is the presence of a direct financial benefit from the copyright infringement. For example, a store owner who collected a percentage of receipts generated by a concessionnaire employee selling infringing records was liable for contributory infringement.⁴² Thus, failure to exercise power to prevent copyright infringement, coupled with direct financial benefit, is a sufficient basis for imposing liability for contributory infringement.⁴³

2. Patent Contributory Infringement

Patent contributory infringement, in contrast to copyright contributory infringement, evolved from common law principles of aiding and abetting.⁴⁴ The 1952 Patent Act codified this doctrine by imposing liability on anyone selling a component of a patented product or process knowing it to be specially made for infringing uses.⁴⁵ Although the precedential

39. See *Rohauer v. Killiam Shows, Inc.*, 379 F. Supp. 723 (S.D.N.Y. 1974), *rev'd on other grounds*, 551 F.2d 484 (2d Cir. 1977), *cert. denied*, 431 U.S. 949 (1977).

40. *Id.* at 730; *National Ass'n of Performing Artists v. Wm. Penn Broadcasting Co.*, 38 F. Supp. 531, 533 (E. D. Pa. 1941); *see also Bevan v. Columbia Broadcasting Sys., Inc.*, 329 F. Supp. 601 (S.D.N.Y. 1971).

41. *E.g.*, *Davis v. E. I. DuPont de Nemours & Co.*, 240 F. Supp. 612, 631-32 (S.D.N.Y. 1965).

42. *Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304 (2d Cir. 1963). The court stated that the right and the ability to supervise the infringing activity, coupled with financial benefit, gave rise to liability. *Id.* at 307.

43. *See, e.g., id.*; *Davis v. E. I. DuPont de Nemours & Co.*, 240 F. Supp. 612, 632 (S.D.N.Y. 1965).

44. 4 D. CHISUM, PATENTS § 17.02, at 17-3 (1982).

45. The Patent Act provides:

(a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

value of patent law for copyright law is in need of further explication, its underlying rationale is pertinent to the present case.⁴⁶

A defense to patent contributory infringement is the "staple item of commerce" theory.⁴⁷ This defense relieves a component seller of liability when the article sold is capable of noninfringing as well as infringing uses.⁴⁸ The suggested noninfringing use must not be "far-fetched," "illusory," impractical, or merely experimental.⁴⁹ A seller of a component capable of noninfringing uses nevertheless may be liable if the seller takes further steps to induce infringement through advertising or instruction.⁵⁰

II. THE SONY DECISION

The first issue faced by the Ninth Circuit in *Sony* was whether home video recording of publicly broadcast movies for private use infringed a copyright. Because the copyrighted works were reproduced⁵¹ on the Betamax VTR and because the court rejected a fair use defense,⁵² the court found that the defendant had infringed plaintiffs' copyrights directly. The appellate court rejected an analogy to home sound recordings that the district court had found persuasive.⁵³ The district court found no direct infringement by its analogy⁵⁴ because an amendment to the Copyright Act⁵⁵ declared that home sound recordings were a noninfringing use.⁵⁶ The

35 U.S.C. § 271 (1976).

46. *Universal City Studios, Inc., v. Sony Corp. of Am.*, 480 F. Supp. 429, 461 (C.D. Cal. 1979).

47. *See* 35 U.S.C. § 271(c) (1976). The district court in *Sony* relied on this theory. 480 F. Supp. at 461.

48. 35 U.S.C. § 271(c) (1976).

49. 4 D. CHISUM, PATENTS 17.03(3), at 17-41 to-42. *See also* *Fromberg, Inc. v. Thornhill*, 315 F.2d 407, 415 (5th Cir. 1963) (in assessing whether a product is a staple article of commerce, the standard, though ambiguous, is not "mere theoretical capability"); *Reynolds Metal Co. v. Aluminum Co. of Am.*, 457 F. Supp. 482, 509 (N.D. Ind. 1978), *rev.'d on other grounds*, 609 F.2d 1218 (7th Cir. 1978), *cert. denied*, 446 U.S. 989 (1981) ("In assessing whether a product is a staple article of commerce, the quality, quantity, and efficiency of the suggested alternate uses are to be considered.").

50. 4 D. CHISUM, PATENTS § 17.04(3), at 17-48 (1982). It has been suggested that in such cases the appropriate remedy would not be to forbid the sale, but an injunction against continuing actively to induce infringement. *See, e.g., Rohm & Haas Co. v. Dawson Chem. Co.*, 599 F.2d 685, 703 n.24, (5th Cir. 1979), *aff'd*, 448 U.S. 176 (1980).

51. The Copyright Act gives the copyright owner the exclusive right to reproduce the copyrighted work, subject to certain exceptions. 17 U.S.C. §§ 106, 67-118 (1976). Hence, simply reproducing the copyrighted works constitutes direct infringement.

52. *See* notes 61-67 and accompanying text *infra*.

53. 659 F.2d at 966.

54. 480 F. Supp. at 443-46.

55. Sound Recording Act of 1971, Pub. L. No. 92-140, § 1(e), 85 Stat. 391 (codified as amended 17 U.S.C. § 114 (Supp. II 1978)).

56. The 1971 Sound Recording Amendment carried an expiration date of December 31, 1974, on

analogy was warranted, the district court asserted, because the underlying purposes and legislative history of the Act were broad enough to cover this form of new technology.⁵⁷

Rejecting the analogy to home sound recordings, the Ninth Circuit concluded that the Act's grant of exclusive rights to owners of copyrighted movies was limited only by express statutory exceptions.⁵⁸ The court noted that the Act treats sound recording and audiovisual works as separate categories in some sections.⁵⁹ The court also stated that the legislative history did not support the analogy because Congress was not concerned with the later VTR technology when it granted limited protection to sound recording.⁶⁰

After finding direct infringement, the court had to decide whether the actions were privileged under the doctrine of fair use. The court concluded that the defense of fair use was precluded because the materials were reproduced for the work's "ordinary purpose."⁶¹

Despite this threshold rejection of the fair use defense, the court examined each statutory fair use factor.⁶² In considering the first factor—the purpose and character of the use—the court criticized the district court's reliance on the noncommercial, home use nature of the copying to find a fair use. The court noted that the statute differentiated only between commercial and nonprofit educational purposes and did not recognize a category for noncommercial entertainment use.⁶³ The court briefly considered the second factor—the nature of the copyrighted work—and found the public broadcast character of the copyrighted works irrelevant.⁶⁴ The third factor—the substantiality of the taking—weighed heavily in the court's view against finding fair use because the entire work had been copied.⁶⁵ The court rejected the notion that the "substantiality" factor was relevant only when economic harm resulted from the taking.⁶⁶ The

the assumption that, by that date, a general revision bill would have been enacted covering the same material. H.R. REP. NO. 487, 92d Cong., 1st Sess. 1 (1971). Since the general revision bill was stalled, Congress passed a bill in 1974 which established the 1971 Amendment on a permanent basis until the passage of the new Act. Act of Dec. 31, 1974, Pub. L. No. 93-573, 88 Stat. 1873 (1974). See generally *Appellees' Brief and Cross-Appellants' Brief* at 46 n.34 (describing the history of this Amendment), *Universal City Studios Inc. v. Sony Corp. of Am.*, 659 F.2d 963 (9th Cir. 1981).

57. 480 F. Supp. at 443.

58. 659 F.2d at 966.

59. *Id.* at 967. See, e.g., 17 U.S.C. §§ 102(a)(6), 102(a)(7), 108(h), 110(1), 112(a) (1976).

60. 659 F.2d at 968.

61. *Id.* at 970 (quoting L. SELTZER, EXEMPTIONS AND FAIR USE IN COPYRIGHT 24 (1978)).

62. *Id.* at 972-74. See generally text accompanying note 23 *supra* (reproducing the four statutory fair use factors).

63. 659 F.2d at 972; see 17 U.S.C. § 107(a) (1976).

64. 659 F.2d at 972.

65. *Id.* at 972-73.

66. *Id.* at 973-74.

court declined to address the fourth factor—the effect of the use upon the copyrighted work—on the issue of liability. Nonetheless, the court observed the difficulty in establishing harm, and presumed that the potential market for the plaintiffs' work was diminished.⁶⁷

The last issue the court faced, once it found direct infringement, was contributory infringement. Rejecting the "staple item of commerce" defense, the court found the corporate defendants liable because they both knew that Betamax brand VTR's would be used to reproduce copyrighted materials and because they either induced, caused, or materially contributed to the infringing conduct of Betamax users.⁶⁸ The court did not state the basis for its conclusion that the requirement of inducement, causation, or contribution was fulfilled. Apparently, the court held the defendants accountable because they manufactured, distributed, advertised, and profited from the sale of Betamax recorders.⁶⁹

III. ANALYSIS

A. *Direct User Infringement*

The court in *Sony* first found that home Betamax users infringed the plaintiffs' copyrights. It based its decision on a literal reading of the Copyright Act. This literal reading was inappropriate because the VTR represented a unique technological advancement. When technological change renders the language of the Copyright Act ambiguous, the courts should construe the Act in light of its basic purpose.⁷⁰ The court's task should be to balance competing interests to promote the purpose of the Copyright Act. These competing interests include the copyright owner's interest in retaining control and the user's and the public's interest in broad dissemination of information and technology. It is appropriate for the court to resort to legislative history to predict congressional preference in striking the balance.⁷¹

67. *Id.* at 974.

68. *Id.* at 975–76.

69. *Id.* at 976. The court also ordered reconsideration by the district court of the plaintiffs' claims of unfair competition and the opportunity for the defendants to establish the three affirmative defenses of (1) laches and estoppel, (2) copyright invalidity, or (3) unclean hands/copyright enforceability. The Ninth Circuit did not alter the decision of the district court in finding no infringement for the retail store use. The court also left remedies to the district court. *Id.* at 976–77.

70. *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1974).

71. "When aid to construction of the meaning of words, as used in the statute, is available, there certainly can be no 'rule of law' which forbids its use however clear the words may appear on 'superficial examination.'" *Train v. Colorado Pub. Interest Research Group*, 426 U.S. 1, 9–10 (1976) (quoting *United States v. Am. Trucking Ass'n*, 310 U.S. 534, 543–44 (1940)).

In *Sony*, the district court reviewed House reports, committee hearings, floor debates, and reports from the Office of Copyrights. 480 F. Supp. at 445.

The legislative history concerned home-use sound recordings, which Congress exempted from infringement liability⁷² because of their non-commercial nature.⁷³ The Ninth Circuit discounted this legislative history because it concerned sound, not audio-visual, recording. This distinction is unwarranted. In 1971, when the Sound Recording Amendment to the Copyright Act was passed, Congress could not foresee the potential for home VTR's.⁷⁴ Nevertheless, sound recording is analogous to video recording in several ways. Both involve recording a public broadcast received through another medium for home use. Both present the same insoluble direct enforcement problems. The only distinction is that one includes a picture in addition to sound. That is a distinction without a difference. Congressional intent not to restrain home-use recording of broadcast programs when the recording is for private, noncommercial use is equally applicable to home video recording and to sound recording.

B. Fair Use

If a court finds direct infringement, the doctrine of fair use becomes relevant to determine whether the activities are nevertheless privileged. The *Sony* court rejected fair use analysis as inapplicable when a work is completely reproduced for its ordinary or "intrinsic" purpose.⁷⁵ The court cited no case authority for the preliminary rejection of the application of fair use. This notion is incorrect for two reasons. First, it ignores the mandate of the Copyright Act that, notwithstanding the provisions defining the copyright holder's rights, "the factors to be considered [in determining a fair use] shall include . . ." the four factors of section

72. 1971 Sound Recording Amendment, Pub. L. No. 92-140, § 1(a), 85 Stat. 391 (codified as amended 17 U.S.C. § 114 (1976 & Supp. II 1978)).

73. See H. R. REP. NO. 487, 92d Cong., 1st Sess. 1, 7 (1971), reprinted in 1971 U.S. CODE CONG. & AD. NEWS 1566, 1572.

74. The revision of the 1909 Copyright Act began in 1955. Progress in revision was very slow, however, and by 1971, the problem of record piracy had become severe. Rather than waiting for complete revision, Congress passed the Sound Recordings Act to deal with sound recording piracy. When it granted copyright protection to sound recording, Congress stated: "This practice [home sound recording] is common and unrestrained today, and the record producers and performers would be in no different position from that of the owners of copyright in recorded musical compositions over the past 20 years." *Id.*; *Universal City Studios, Inc. v. Sony Corp. of Am.*, 480 F. Supp. 429, 443-44 (C.D. Cal. 1979). Betamax was introduced in the United States in the latter part of 1975. Appellees' Brief and Cross-Appellants' Brief at 9, *Universal City Studios, Inc. v. Sony Corp. of Am.*, 659 F.2d 963 (9th Cir. 1981). Thus, legislators in 1971 could not see the potential of VTR's to become as common and widespread as sound recording.

75. 659 F.2d at 970. *But see Williams & Wilkins Co. v. United States*, 487 F.2d 1345 (Ct. Cl. 1973) (holding that a fair use may exist if entire medical and scientific articles published in public journals are copied) *aff'd by an equally divided court*, 420 U.S. 376 (1975).

107.⁷⁶ The statute thus does not allow a preliminary rejection of fair use based on the ordinary or "intrinsic" purpose of the copying. The Act clearly mandates full judicial consideration of the four factors notwithstanding any rights established in section 106.⁷⁷

Second, the doctrine's equitable operation makes it a suitable tool to decide rights and liabilities in the context of technological progress and resulting economic change. The doctrine permits a court to balance the interests in economic protection against the countervailing interests in public dissemination of scientific progress and artistic information.⁷⁸

Despite its threshold rejection of the fair use defense, the *Sony* court proceeded to analyze the four statutory factors in the defense. The court first considered "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes,"⁷⁹ and criticized the district court's emphasis of the noncommercial nature of home video recording. It noted that the statute does not draw a "simple noncommercial/commercial distinction."⁸⁰ This is correct, but neither does the statute ignore the distinction. Congress considered general noncommerciality as an important factor in enacting the sound recording exemption.⁸¹

In addition, the plain language of the Act mandates consideration of the commercial or noncommercial nature of a use. The Act provides that a commercial purpose or a nonprofit educational purpose are subsidiary factors to be "included"⁸² in the broad consideration of the purpose and character of the use. The "including" language suggests that Congress

76. 17 U.S.C. § 107 (1976) (emphasis added). See text accompanying note 23 *supra* (reproducing the four statutory factors).

77. See, e.g., *Meeropol v. Nizer*, 560 F.2d 1061, 1069 (2d Cir. 1977) (stating that a court must evaluate the four factors in concert in determining the applicability of fair use doctrine, *cert. denied*, 434 U.S. 1013 (1978); *New York Tribune, Inc., v. Otis & Co.*, 39 F. Supp. 67, 68 (S.D.N.Y. 1941) (stating that if and when fair use constitutes a defense is to be determined by consideration of all elements).

78. Congress codified the judicial doctrine of fair use in section 107. Legislative history indicates that Congress recognized that the doctrine must be flexible to deal with technological change and must continue to be an equitable tool for balancing the competing claims in copyright cases:

The bill endorses the purpose and general scope of the judicial doctrine of fair use, but there is no disposition to freeze the doctrine in the statute, especially during a period of rapid technological change. Beyond a very broad statutory explanation of what fair use is and some of the criteria applicable to it, the courts must be free to adapt the doctrine to particular situations on a case-by-case basis.

H.R. REP. NO. 1476, 94th Cong., 2d Sess. 66, reprinted in 1976 U.S. CODE CONG. & AD. NEWS 5659, 5680; See also S. REP. NO. 473, 94th Cong., 1st Sess. 62 (1975).

79. 659 F.2d at 963.

80. *Id.* at 972.

81. See *Universal City Studios, Inc. v. Sony Corp. of Am.*, 480 F. Supp. 429, 445-46 (C.D. Cal. 1979) (discussing legislative history on noncommerciality), and notes 54-56 *supra*.

82. 17 U.S.C. § 107(1) (1976).

was not interested in only the two purposes. Congress surely did not intend to limit noncommercial fair uses to nonprofit educational uses. Even the Ninth Circuit in *Sony* stated that the purposes listed in section 107 are simply illustrative and not limiting.⁸³

The noncommercial nature of home video recording is an important element in the balancing of the equities needed to determine whether the use is fair. Certainly, home recording for personal use of programs broadcast for the free consumption of millions poses a different economic situation than commercial pirating of such materials for rebroadcast or sale. Inasmuch as the protections afforded by the Act are given only to protect the economic incentive to individual productivity,⁸⁴ an analysis of the nature of the perceived economic threats posed by home VTR's to that productivity is crucial. The court should have entertained such an inquiry in its analysis of the first factor.

The court, in analyzing the second factor—the nature of the copyrighted work—rejected the district court's emphasis on the public broadcast character of the copyrighted work.⁸⁵ The court again should have made a more detailed inquiry into the effect that plaintiffs' free public broadcasting of their works had on the equities of the case.

This public broadcast factor is important in the television industry because the copyright holder of a broadcast program does not receive compensation directly from the ultimate consumer, the viewer. This is unlike a book, motion picture, or concert, for which the consumer pays directly. In television, the copyright holder is paid by advertisers based upon the drawing power of its free broadcast. Because home VTR's do not reduce the viewing audience for broadcast works,⁸⁶ the copyright holders do not suffer discernible economic loss from home recording.⁸⁷ Thus, the public broadcast nature of the work should weigh heavily in determining whether curtailment of recording is necessary to protect the plaintiffs' continued creative initiative.

In contrast, the court emphasized the third factor—the substantiality of the taking.⁸⁸ The fact that the plaintiffs' entire works were recorded

83. 659 F.2d at 970.

84. See note 19 and accompanying text *supra*.

85. 659 F.2d at 972.

86. The use of the Betamax conceivably increases the viewing audience and thereby the value of the copyrighted work by permitting viewing by those who, at the time of the broadcast, were not at home or elected to watch a different broadcast. Potential increase in value would depend on the advertisers' perception of the greater number of people viewing the commercials with the recorded materials.

87. *Universal City Studios, Inc. v. Sony Corp. of Am.*, 450 F.Supp. 429, 439 (C.D. Cal. 1979) ("[P]laintiffs conceded that neither the sale nor the use of Betamax and Betamax tapes had by the time of trial caused [them] any measurable monetary damage, economic loss or revenue loss.")

88. 659 F.2d at 973.

weighed heavily against finding fair use. In typical copyright cases, the more extensive the reproduction, the less likely a court is to find a fair use.⁸⁹ This principle has arisen, however, from cases involving reproduction followed by publication and distribution.⁹⁰ In that setting, the substantiality of the taking is directly proportional to the harm suffered by the copyright holder.⁹¹ In home video recording, the amount taken bears little relationship to the harm, if any, to the rights of the copyright holders because they did not look to the viewer for payment. On the contrary, the more that is taken and watched, the larger the audience drawn and the larger the fees from advertising.

The court stated that it was unnecessary to inquire into the fourth factor—the effect of home VTR use on the potential market for, or the value of, the copyrighted work.⁹² In declining consideration of this factor, which weighs heavily in favor of fair use, the court left a gap in its analysis. Its failure to inquire into economic harm contravenes the statutory directive that the four enumerated factors shall all be considered in determining whether a use is fair.⁹³

Without providing an alternative analysis of the fourth factor, the court rejected the district court's approach. The court stated that the district court "was much too strict in requiring appellants to establish its degree of harm."⁹⁴ It noted that it is extremely difficult for a copyright plaintiff to prove that harm resulted from the defendant's activities.⁹⁵ Plaintiffs conceded, however, that neither the sale nor the use of Betamax had caused any measurable economic loss⁹⁶ and that no existing control, license, or advantageous business relationship had been injured by the sale or use of the Betamax.⁹⁷ These concessions severely undermine the court's criticisms.

The district court found no potential future harm to the plaintiffs' mar-

89. *Universal City Studios, Inc. v. Sony Corp. of Am.*, 480 F. Supp. 429, 454 (C.D. Cal. 1979). *See, e.g.*, *Walt Disney Productions v. Air Pirates*, 581 F.2d 751 (9th Cir. 1978), *cert. denied*, 439 U.S. 1132 (1979); *Loew's Inc. v. Columbia Broadcasting Sys., Inc.*, 131 F. Supp. 165, 183 (S.D. Cal. 1955), *aff'd sub nom. Benny v. Loew's Inc.*, 239 F.2d 532 (9th Cir. 1956), *aff'd per curiam by an equally divided court sub nom. Columbia Broadcasting Sys. v. Loew's Inc.*, 356 U.S. 43 (1958).

90. *Universal City Studios, Inc. v. Sony Corp. of Am.*, 480 F. Supp. 429, 455–56 (C.D. Cal. 1979).

91. *Id.* at 454.

92. 659 F.2d at 973.

93. 17 U.S.C. § 107 (1977). *See* note 18 and accompanying text *supra*.

94. 659 F.2d at 973.

95. *Id.* at 974.

96. *Universal City Studios, Inc. v. Sony Corp. of Am.*, 480 F. Supp. 429, 439 (C.D. Cal. 1979).

97. *Id.*

ket.⁹⁸ Despite this finding, the Ninth Circuit asserted that "it seems clear" that the activity in question would diminish this potential market.⁹⁹ The facts suggest otherwise. As noted above, the copyright holder of television programs is not directly compensated by the viewer because programs are broadcast free of charge. The advertisers' payments, based on the size of the audience, dictate the copyright holder's profit. This makes the relevant marketplace the negotiating table between the potential broadcasters and advertisers. So far, the impact of the Betamax on the size of the television audience apparently has not arisen during negotiations between copyright holders and the broadcasters.¹⁰⁰

Further, home VTR's increase the audience size by allowing users to record programs for later viewing that they otherwise might miss.¹⁰¹ The value of the plaintiffs' works should be enhanced because the viewing audience is increased and therefore expected payments from advertisers should increase.¹⁰²

C. *Contributory Infringement*

The most significant holding of the *Sony* case was that the manufacturer, distributor, and seller of the Betamax VTR were contributorily liable. As a practical matter, liability of corporate defendants is more likely to affect the development of VTR technology than is liability of home users. The plaintiffs directed their plea for relief at the corporate defendants, not the private home user.¹⁰³ This choice reflects the plaintiffs' recognition that enforcing a prohibition on home VTR's would be highly intrusive and practically impossible.

Despite the significance of this issue, the Ninth Circuit summarily reversed the district court's decision and held that the corporate appellees were liable.¹⁰⁴ The court's most critical analytical error was in rejecting

98. *Id.* at 464, 468.

99. 659 F.2d at 974.

100. Appellees' Brief and Cross-Appellants' Brief at 25 n.26, *Universal City Studios, Inc. v. Sony Corp. of Am.*, 659 F.2d 963 (9th Cir. 1981).

101. This phenomenon is known as "time-shifting." *Id.* at 24.

102. The frequency with which television broadcasts are videotaped can be taken into account in the television rating. Presently, the frequency with which people videotape is not taken into account in the ratings because of its insignificant impact. *Universal City Studios, Inc. v. Sony Corp. of Am.*, 480 F. Supp. 429, 441 (C.D. Cal. 1979). Advertisers use the ratings to judge the value of the time bought.

103. Only one owner of a Betamax VTR was made a defendant in *Sony*, and he was given a complete hold-harmless agreement by the plaintiffs, *Universal City Studios, Inc. and Walt Disney Productions*, before the action was filed. He never appeared in the action and never had counsel. Appellees' Brief and Cross-Appellants' Brief at 4, *Universal City Studios, Inc. v. Sony Corp. of Am.*, 659 F.2d 963 (9th Cir. 1981).

104. 659 F.2d at 974.

the “staple item of commerce” theory. This theory is borrowed from closely analogous patent law cases in which a seller of an item is held liable because the item sold is used in a process or mechanism that infringes a patent.¹⁰⁵ The theory relieves the seller of liability if the component is capable of noninfringing as well as infringing uses.¹⁰⁶ In the present case, plaintiffs sought to impose liability on the sellers of an item—the Betamax VTR—used in infringing a copyright. No copyright cases are as closely analogous as those found in patent law.¹⁰⁷

The underlying rationale of the “staple item of commerce” theory is applicable. The Supreme Court stated this rationale in an early patent contributory infringement case: “[A] sale of an article which though adapted to an infringing use is also adapted to other and lawful uses, is not enough to make the seller a contributory infringer. Such a rule would block the wheels of commerce.”¹⁰⁸ Enforcement of a copyright owner’s claims has the potential to block the development and use of a new technology: the VTR. Given the competing interests in copyright law between the owners and the public, the “staple item of commerce” theory is the appropriate analytical framework because it balances analogous claims—the patent holder’s rights versus the public’s interest in commercial expansion—in patent law.

To decide whether the Betamax is a staple item of commerce, a court must look closely at the facts.¹⁰⁹ In *Sony* the court did not look at the facts; it simply stated that video tape recorders are not suitable for non-infringing uses. It relied not on the record but on a legal treatise,¹¹⁰ which is questionable authority for a factual determination in a case involving a new technology. VTR’s may be used for noninfringing purposes, contrary to the Ninth Circuit’s finding.¹¹¹ For example, not all television programs are subject to copyright protection. Such nonprotected programs include those on which the copyright has expired, those that cannot be copyrighted,¹¹² those that could be registered for copyright but are not,

105. See 4 D. CHISUM, PATENTS § 17.03, at 17–35 (1982) (discussion of the patent law cases). See generally part IB *supra* (discussing contributory infringement).

106. 4 D. CHISUM, PATENTS § 17.03, at 17–34 (1982).

107. As the district court noted, the problem is that the precedential value of patent law for copyright law is uncertain. 480 F. Supp at 461. Because of the similarity of the cases, however, this Note suggests that the patent cases are more useful.

108. *Henry v. A. B. Dick Co.*, 224 U.S. 1, 48 (1912).

109. 4 D. CHISUM, PATENTS § 17.03(3), at 17–41 (1982) (analogous patent cases involving the staple article of commerce theory).

110. 659 F.2d at 975 (citing 3 M. NIMMER, NIMMER ON COPYRIGHTS § 12.04[A], at 12-39–40). More appropriately, the court should have conducted an inquiry into the particular facts of this case, evaluating all potential uses of the VTR.

111. 659 F.2d at 975.

112. See 17 U.S.C. §§ 408, 411 (1976). These sections require that the program must be regis-

and those registered for copyright by owners who do not object to home use recording.¹¹³ Because the Betamax could be used in noninfringing ways, it can be found to be a staple item of commerce. The court should have examined closely these possible noninfringing uses, rather than hold as a matter of law that the Betamax defendants could not establish a "staple item of commerce" defense.

IV. CONCLUSION

The *Sony* decision imposed ultimate economic responsibility for home use video recording on the corporate defendants who produce and distribute the technology. The decision protects copyright proprietors from the questionable harms of home VTR's at the price of restricting low-cost dissemination of this new technology.

Sony involved a conflict of legitimate interests. A detailed inquiry into the purposes of the copyright laws was therefore appropriate. The Ninth Circuit failed to undertake this inquiry in *Sony*. An examination of the legislative history behind the development of the statutory fair use exemption for the analogous sound recording technology demonstrates that home video recording should not constitute direct infringement. Similarly, appropriate application of the fair use doctrine would have led the court to recognize home video recording as a fair use. Finally, the court should have perceived the potential for restricting new technology, and applied the "staple item of commerce" defense of patent law.

tered and deposited before bringing an action for infringement under the new Act. If the programming is taped but soon erased, deposit and registration is impossible.

113. It is significant that programming is available for home use Betamax recording with the owner's consent. This is one whole area of material that would be a permissible noninfringing use. Exactly how many programs presently shown on television can be recorded with the owner's blessing is undocumented. But representatives from Major League Baseball, the National Football League, the National Basketball Association, the National Hockey League, and the National Collegiate Athletic Association each testified that their organizations had no objection to home use videotape recordings of their copyrighted broadcasts. Appellees' Brief and Cross-Appellants' Brief at 12, *Universal City Studios, Inc. v. Sony Corp. of Am.*, 659 F.2d 963 (9th Cir. 1981). Similarly, some religious organizations and a significant number of owners of educational programmers testified that they had no objection to home use videotape recording of their copyrighted broadcasts. *Id.* Permissible recording also includes entertainment programs to which the copyright has expired. *Id.* at 14. These areas of permissible noninfringing home use recording should not go uncounted when deciding whether the Betamax is a staple article of commerce capable of noninfringing use.

An action for infringement cannot be brought under the Copyright Act without prior registration and deposit of the tape. 17 U.S.C. §§ 408, 411 (1976). Surveys sponsored by the Sony Corporation of America showed that substantial local programming, including news, documentaries, and public events, is not copyrighted because it is soon erased, making deposit and registration impossible. Appellees' Brief and Cross-Appellants' Brief at 14, *Universal City Studios, Inc. v. Sony Corp. of Am.*, 659 F.2d 963 (9th Cir. 1981). Thus, another area of programming capable of noninfringing Betamax VTR recording is represented.

The *Sony* court's rigid analysis failed to balance the competing claims of copyright holders and producers of a new technology. Consequently, certiorari was appropriately granted by the Supreme Court of the United States.¹¹⁴

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114. *Universal City Studios, Inc. v. Sony Corp. of Am.*, 659 F.2d 963 (9th Cir. 1981), *cert. granted*, 50 U.S.L.W. 3982 (U.S. June 14, 1982) (No. 81-1687).